BERENBERG
Markets

MONITOR

28 March 2022

Current market commentary

The high uncertainties regarding monetary policy and the economic effects of the war are causing increased stock market volatility in both directions. After stock markets fell until mid-March in the wake of the tightened sanctions, they have since recovered even more strongly than we expected. The drivers of this recovery rally were, in addition to the already extremely pessimistic investor sentiment, primarily the covering of short positions and hedges - especially since some uncertainty also waned after the first Fed interest rate hike by 25bp during its March meeting. With better price momentum and lower volatility, more systematic strategies are now likely to ramp up their equity exposure. However, after the strong rally, we see the upside potential as limited in the short term, as many analysts are likely to reduce their earnings estimates and share buyback programmes will be scaled back as we approach the reporting season.

The bi-weekly ***Monitor*** gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Short-term outlook

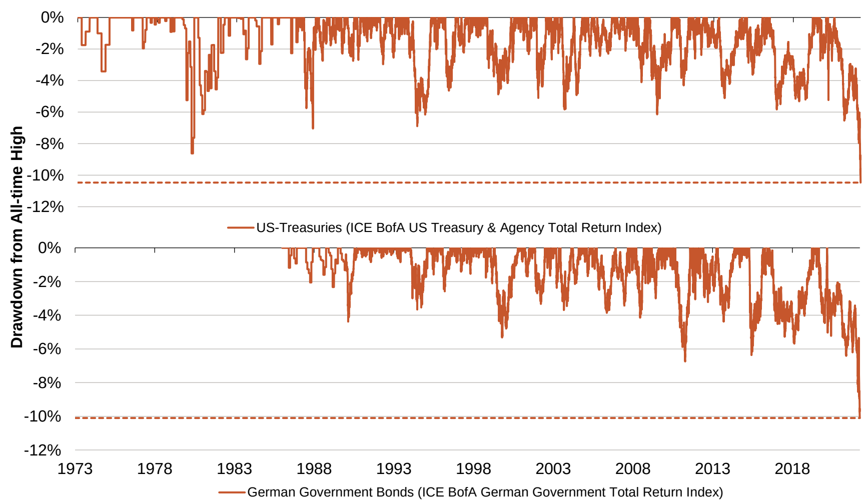
Inflation and energy crisis are likely to remain key issues

With the major central bank meetings behind us, the next two weeks will be a little quieter. On 4 April, the economic and finance ministers of the Eurozone will meet. The main topics to discuss are likely to be the energy crisis and the high inflation rates. The presidential elections in France begin on 10 April. Currently, the incumbent President Macron is leading in the polls.

Economic data provide first insight into the impact of the Russia-Ukraine war

Tomorrow, the consumer confidence for Germany and the US will be published. Inflation data (Mar.) for Germany will be released on Wednesday, followed by figures for France and Italy on Thursday. Then retail sales (Feb.) for Germany and the manufacturing PMI (Mar.) in China will also be published. On Friday, US labour market data (Mar.) and the ISM Manufacturing PMI (Mar.) will follow. On 4 April, Factory Orders will provide further insight into the US manufacturing sector following the outbreak of the Russia-Ukraine war.

Safe government bonds with strongest drawdown in 50 years



- Safe government bonds have experienced the strongest drawdown in 50 years in the wake of high inflation and increasingly restrictive central banks. Total return indices of US and German government bonds have already lost more than 10% from their all-time high.
- Since the beginning of the year, US Treasuries have even lagged US equities.
- Multi-asset portfolios that do not include commodities and alternative investments are thus poorly diversified in the current environment and are posting significant losses.

Source: ICE BofA, Time period: 01/01/1973 - 25/03/2022

Multi Asset

	4-week & YTD: 4W (25/02/22 - 25/03/22)	4-week & YTD: YTD (31/12/21 - 25/03/22)	12-month periods over that last 5 years: 25/03/21 25/03/22	25/03/20 25/03/21	25/03/19 25/03/20	25/03/18 25/03/19	24/03/17 25/03/18
Brent	32.0	64.5	131.9	59.7	-45.3	8.6	20.7
Industrial Metals	17.4	30.2	63.1	43.2	-18.6	4.2	-1.6
Gold	6.3	10.8	21.5	-1.2	27.2	7.1	-5.3
REITs	5.1	-5.1	25.1	23.5	-19.5	25.7	-15.1
MSCI World	4.8	-1.9	19.4	45.5	-9.1	14.2	-1.7
Global Convertibles	2.8	-4.4	0.3	65.8	-8.8	10.2	-5.4
USDEUR	2.6	3.5	7.1	-7.5	3.9	9.2	-12.6
MSCI Frontier Markets	0.3	-5.3	16.8	26.3	-14.6	-5.9	8.9
Euro overnight deposit	0.0	-0.1	-0.6	-0.5	-0.4	-0.4	-0.4
EUR Sovereign Debt	-1.1	-3.3	-4.4	2.6	0.9	1.4	1.5
EUR Coporates	-1.6	-5.7	-6.2	10.2	-4.2	2.1	1.9
MSCI Emerging Markets	-1.6	-5.1	-4.4	45.1	-14.6	0.0	8.1

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

- Crude oil and industrial metals, the winners since the beginning of the year, were able to continue their strong performance over the last four weeks. Commodities were supported by the ongoing supply concerns fuelled by the Russia-Ukraine war.
- Safe havens also benefited from the uncertainty caused by the invasion. Investors sought refuge in gold and even interest rate-sensitive REITs gained.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 25/03/2017 – 25/03/2022

Equities

	4-week & YTD: 4W (25/02/22 - 25/03/22)	4-week & YTD: YTD (31/12/21 - 25/03/22)	12-month periods over that last 5 years: 25/03/21 25/03/22	25/03/20 25/03/21	25/03/19 25/03/20	25/03/18 25/03/19	24/03/17 25/03/18
S&P 500	6.1	-0.9	26.3	48.2	-6.0	20.5	-1.6
MSCI USA Small Caps	4.2	-2.2	8.5	82.7	-23.0	13.9	-1.7
MSCI Japan	2.8	-3.1	0.2	31.6	-3.3	1.6	0.8
Stoxx Europe Defensives	2.5	0.9	18.4	19.3	-9.6	16.0	-4.0
MSCI UK	1.8	5.1	22.9	27.7	-23.3	10.2	-3.3
Stoxx Europe 50	1.4	-2.5	15.8	25.9	-10.3	9.0	-3.9
Stoxx Europe Small 200	0.7	-11.3	2.9	55.5	-17.4	0.1	7.6
Stoxx Europe Cyclicals	0.4	-7.9	7.5	52.4	-18.7	-2.9	3.6
DAX	-1.8	-9.9	-2.2	48.1	-13.0	-4.5	-1.5
MSCI EM Asia	-2.1	-6.9	-8.9	47.9	-8.9	0.6	10.2
Euro Stoxx 50	-2.5	-9.8	2.9	39.7	-12.9	2.9	-1.9
MSCI EM Eastern Europe	-68.0	-78.6	-73.6	30.1	-22.2	10.0	6.5

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR;
Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclicals: Stoxx Europe Cyclicals TR;
Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Things are still turbulent on stock markets – albeit in a positive direction over the last four weeks. The technology-heavy S&P-500 and American small caps were able to make noticeable gains, and Japanese and UK shares also gained in value.
- Eastern Europe remains burdened by the war and thus the worst equity region over the last four weeks and since the beginning of the year.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 25/03/2017 – 25/03/2022

Fixed Income

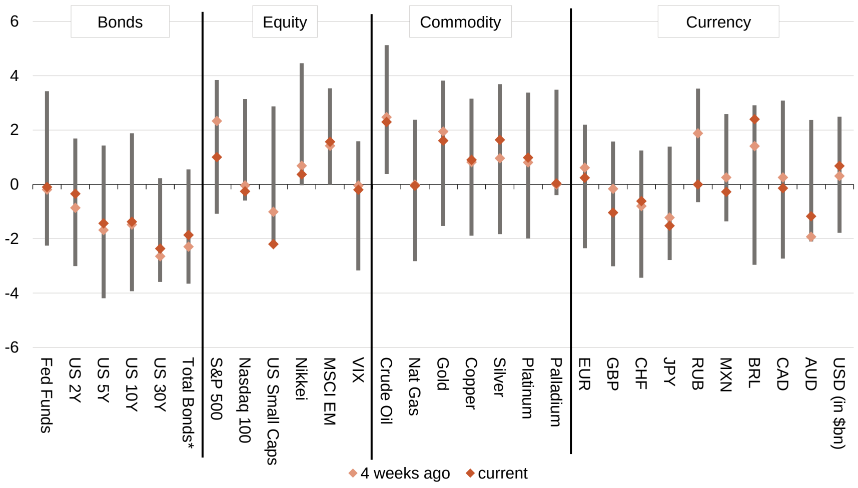
	4-week & YTD: 4W (25/02/22 - 25/03/22)	4-week & YTD: YTD (31/12/21 - 25/03/22)	12-month periods over that last 5 years: 25/03/21 25/03/22	25/03/20 25/03/21	25/03/19 25/03/20	25/03/18 25/03/19	24/03/17 25/03/18
Chinese Gov Bond	0.0	0.5	5.5	0.0	6.9	7.6	0.4
Treasuries	-0.8	-3.0	1.9	-11.0	17.6	14.2	-12.6
EUR High Yield	-0.9	-5.2	-3.4	25.6	-11.9	1.6	4.5
BTPs	-1.1	-4.5	-7.0	8.6	7.8	-1.7	5.3
EUR Financials	-1.2	-5.1	-5.5	11.0	-5.0	2.0	2.2
EM Hard Currency Bonds	-1.7	-7.9	-2.4	9.0	-3.8	14.3	-9.6
USD High Yield	-1.7	-5.5	-1.0	30.7	-12.6	5.5	4.6
EUR Non-Financials	-1.8	-6.1	-6.7	9.7	-3.7	2.2	1.8
Gilts	-1.9	-7.3	-4.8	3.0	2.2	7.3	-0.4
Bunds	-2.3	-5.1	-5.8	0.2	2.0	4.2	-0.2
USD Corporates	-3.1	-9.0	-5.9	13.8	0.7	5.4	2.1
EM Local Currency Bonds	-4.8	-4.3	-2.9	5.7	-5.4	3.0	-2.8

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- Bond markets remain under pressure globally. The asset class was burdened globally by the restrictive interest rate policy of the central banks. Only Chinese government bonds recorded a slightly positive performance over the last four weeks.
- Local emerging market bonds brought up the rear over the last four weeks.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 25/03/2017 – 25/03/2022

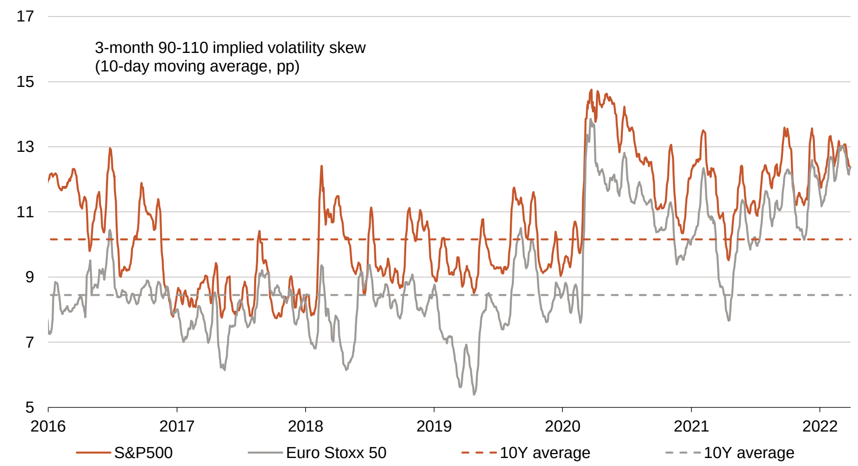
Non-Commercial Positioning



- Hedge funds reduced risks last month. Long positions in US large caps were reduced and shorts in small caps were even increased.
- Within bonds, investors remain short, but there seem to be first profit-taking.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders report every Friday. The chart shows the historical, normalised distribution in standard deviations and focuses on the net futures position (long positions minus short positions) of "non-commercial traders" (bonds, currencies), "asset managers/institutional" & "leveraged funds" (equities) and "managed money" (commodities) and shows how speculative investors are positioned. *Weighted with the respective duration
Source: Bloomberg, CFTC, Time period: 22/03/2012 - 22/03/2022

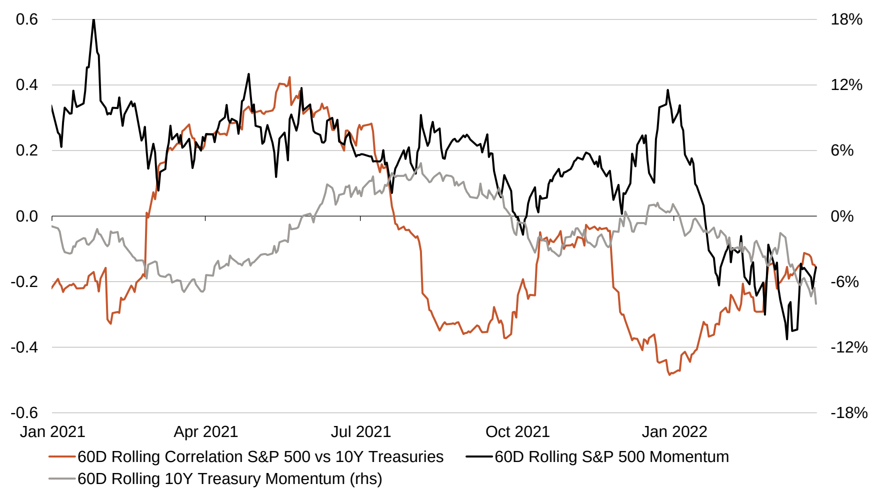
Put-Call-Skew



- The put-call skew remains persistently above the 12 ppts mark. It is also noticeable that, contrary to their historical averages, the skews in Europe and the US are about equally steep.
- Since bonds diversify less well in a rising interest rate environment, hedging equity market risks via put options remains expensive.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 25/03/2012 - 25/03/2022

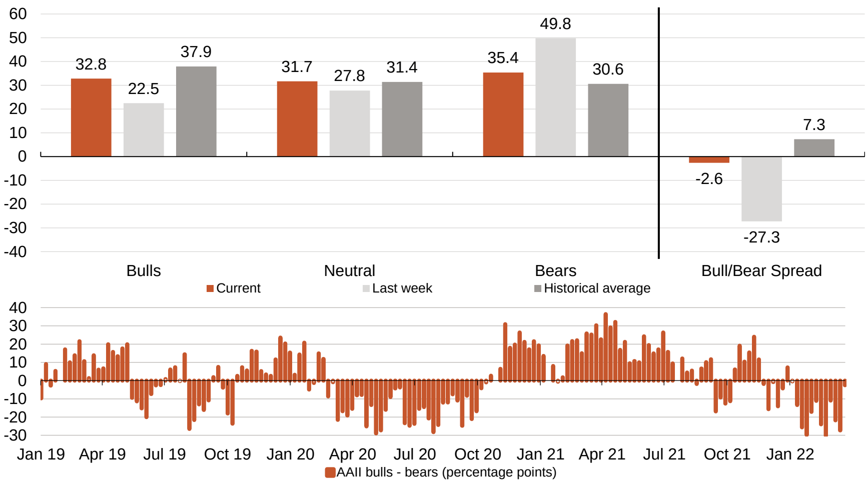
60-Day Momentum and Correlation



- The momentum of US equities remains negative, but is moving towards the zero line with the recent rally. If markets do not fall again, trend-following strategies should increase their buying.
- Meanwhile, the momentum of US Treasuries is even worse than that of the S&P 500.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2020 - 25/03/2022

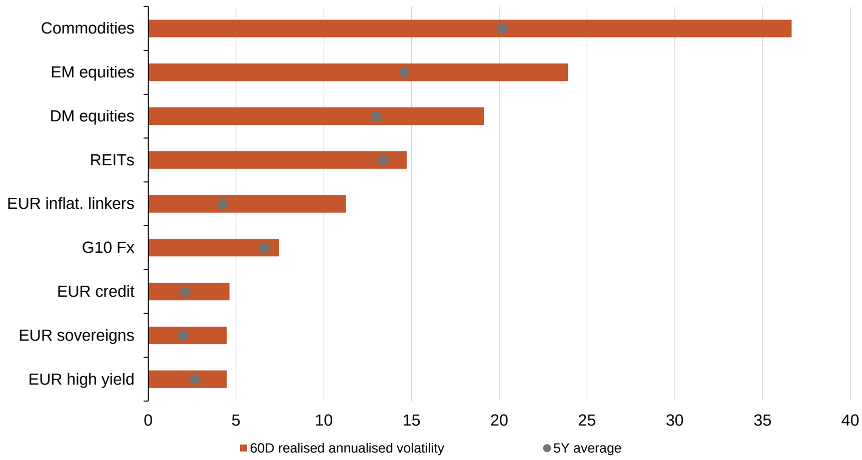
AAII Sentiment Survey (Bulls vs Bears)



- Sentiment among US private investors is better than it has been since early this year.
- However, there is no sign of optimism, as the bull/bear spread is still negative at -3 ppts. Bulls, bears and neutral investors are currently more or less in balance.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 14/01/2022

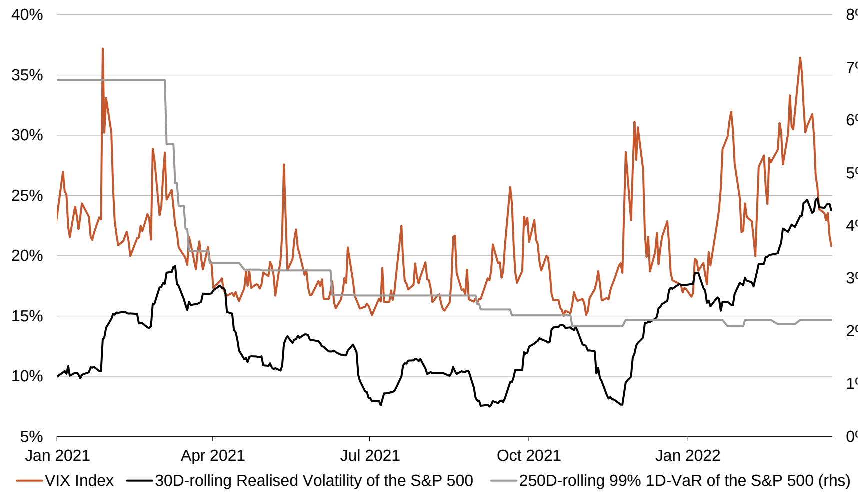
Realised Volatilities



- The realised volatilities are currently above their average of the last 5 years in all asset classes shown here.
- While commodity markets are mainly driven by the Russia-Ukraine war, bond markets are more affected by the more restrictive central banks. Stock markets, in turn, are affected by both sources of uncertainty.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 25/03/2017 - 25/03/2022

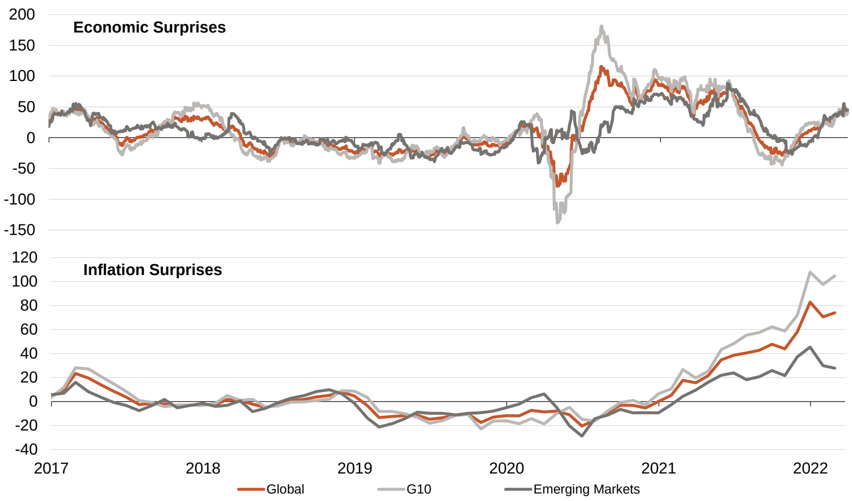
Volatility and Value-at-Risk of the S&P 500



- After the FOMC meeting and the subsequent option expiry, implied volatility has fallen rapidly and is now even atypically below realised volatility. Thus, investors expect slightly lower volatility for the next month than in the last 30 days.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2020 - 25/03/2022

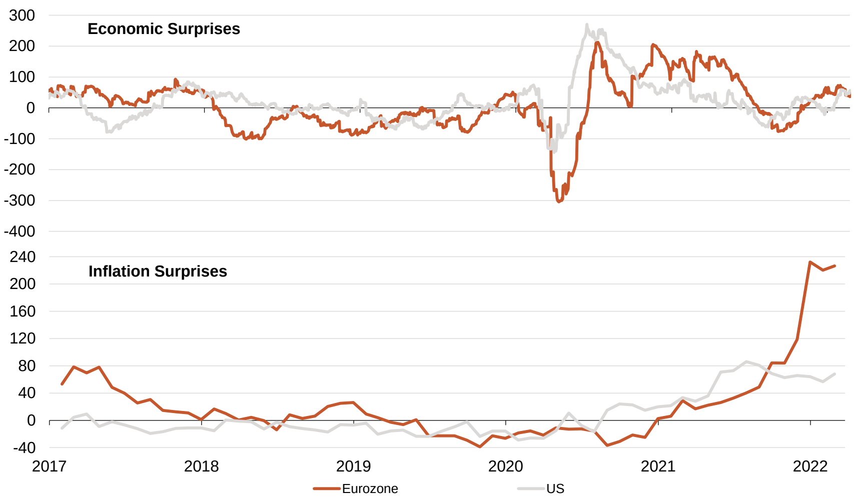
Global



- The economic surprise indices seem to have stabilised recently. The global index, the index for the industrialised countries (G10), and the economic surprise index for emerging markets are running in parallel in positive territory. In China, industrial production data and retail sales exceeded expectations.
- Inflation data in the industrialised nations and global inflation data continued the positive surprise series after a brief interruption. Emerging markets have recently surprised somewhat less positively.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 25/03/2022

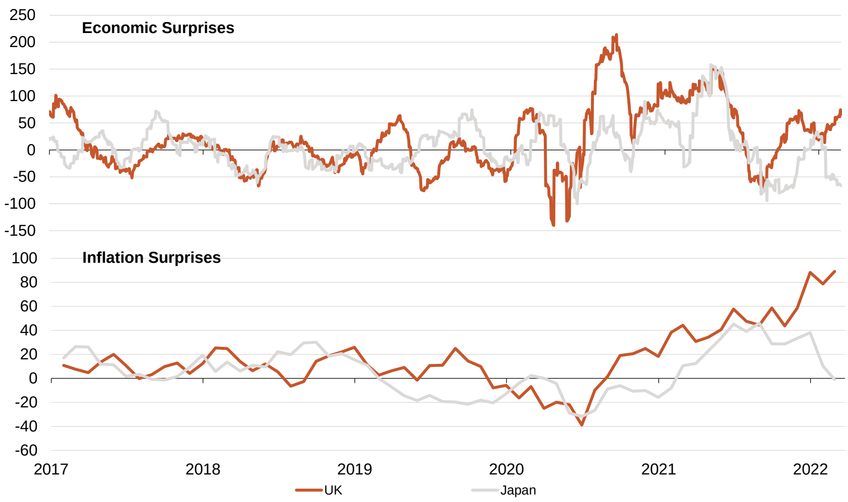
Eurozone and US



- While the economic surprise data in the USA have recently moved sideways, the positive surprises in the Eurozone have recently diminished. In the US, manufacturing and retail sales data disappointed, while the purchasing managers' index surprised on the upside. In the eurozone, industrial production and consumer confidence were below expectations.
- Inflation data in both the eurozone and the US surprised to the upside again.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 25/03/2022

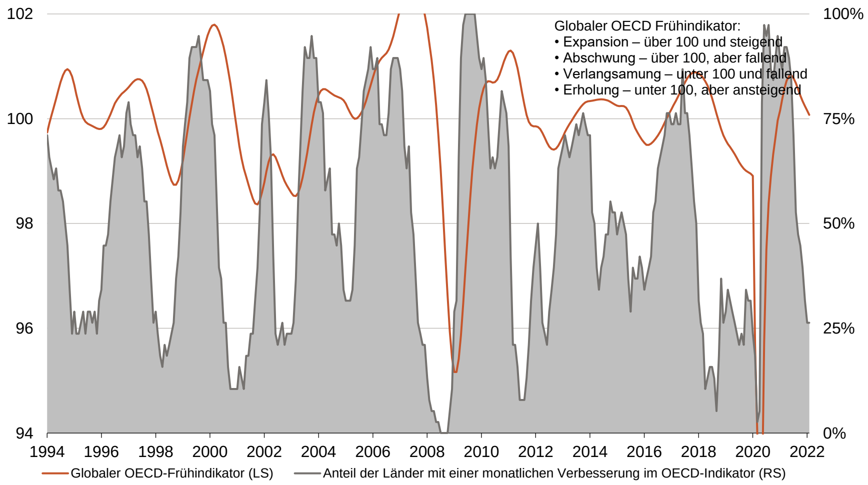
UK and Japan



- The picture for the UK and Japan continues to diverge. While positive economic and inflation surprises predominated in the UK, Japanese economic data disappointed and inflation did not surprise positively for the first time since spring 2021.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, period: 31/12/2020 - 25/03/2022

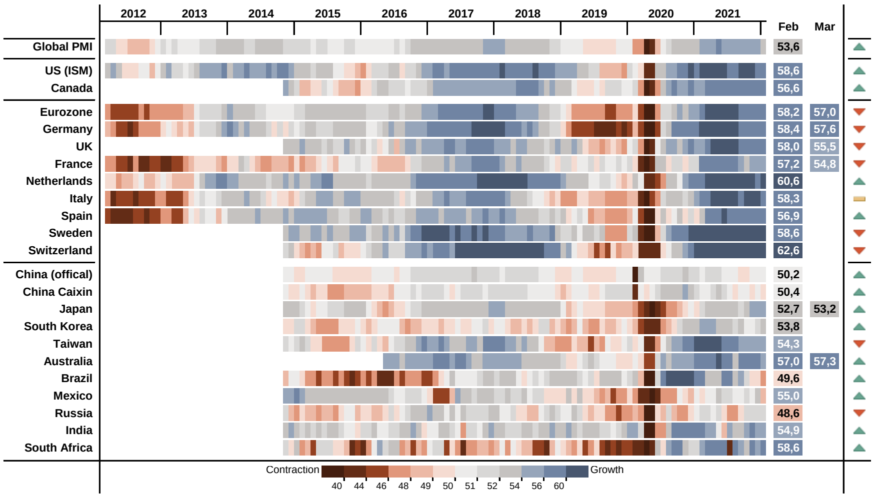
OECD Leading Indicator



- The OECD leading indicator approached 100. The falling trend towards the important mark points to an economic downturn.
- The share of countries with a monthly improvement is currently just over 25%, the lowest level since spring 2020.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 - 28/02/2022

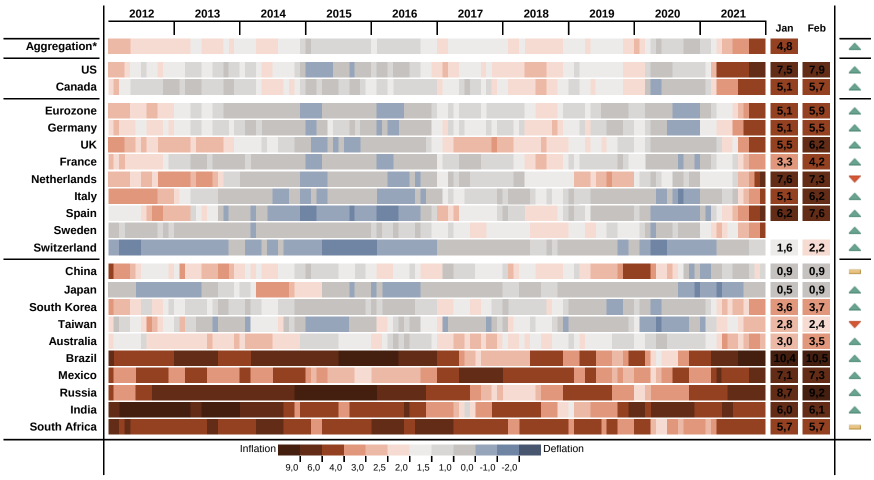
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The preliminary data of the Purchasing Managers' Index for March do not show a clear picture.
- While they fell for the Eurozone, Germany, the UK and France compared to the previous month, they rose in Japan and Australia.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 01/01/2012 - 25/03/2022

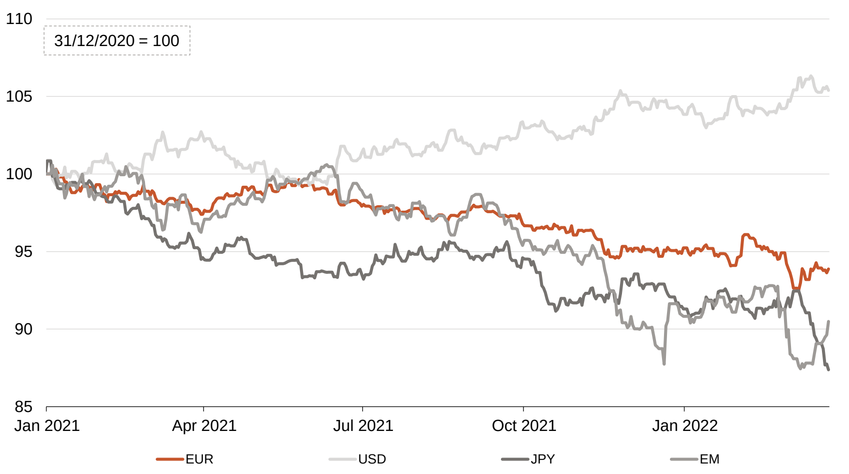
Headline Inflation



- Inflation data for February show a clear upward trend. The inflation rate rose in the USA, the Eurozone, Germany, France, the UK, Italy, Spain and Switzerland. There was also a noticeable increase in Japan, South Korea, Australia, Brazil, India and Russia. The main reason for the increase was the sharp rise in prices for energy and food.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 01/01/2012 - 25/03/2022

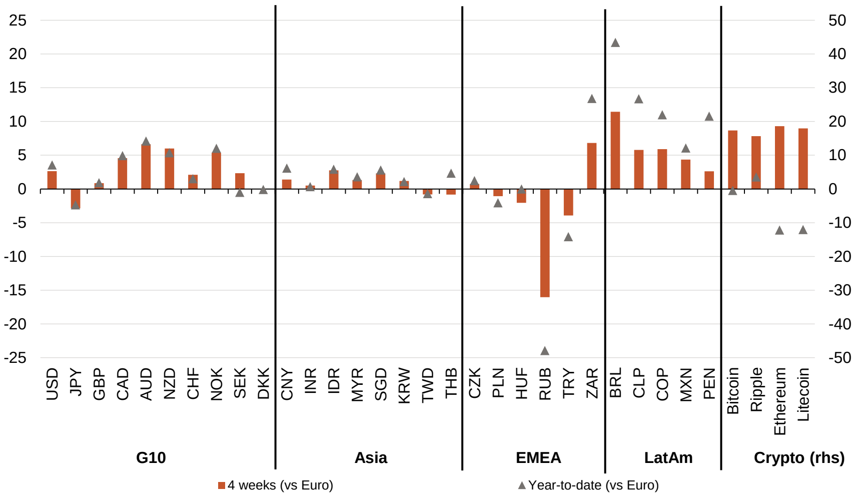
Trade-Weighted Currency Development



- The Japanese yen has experienced a broad-based slide in recent weeks. While the major Western central banks are beginning to react to the high inflation data with restrictive measures, the Bank of Japan is maintaining its ultra-expansive course. This is likely to widen the yen's interest rate disadvantage.
- Emerging market currencies have started to bottom out.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2021 - 25/03/2022

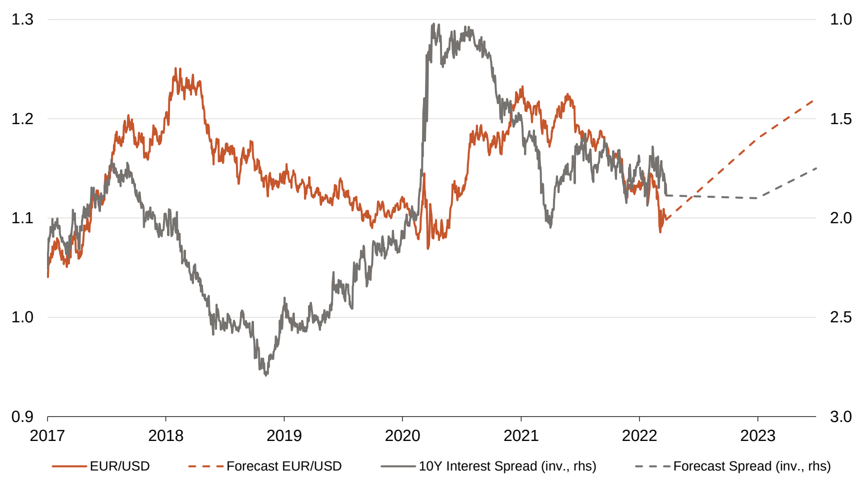
Currency Moves vs Euro



- The currency developments against the euro are relatively clear. The currency areas that are geographically further away from the Russia-Ukraine conflict were able to appreciate across the board. Those closer to it were left behind.
- The Russian rouble, meanwhile, has risen from an all-time low of over 150 roubles per euro to just over 100 roubles per euro. Most recently, Putin's statement that he would only accept payments for oil and gas deliveries in roubles supported the exchange rate.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 25/03/2022

EUR/USD Exchange Rate and Interest Rate Differential of 10Y Bonds



- The EUR/USD exchange rate has fluctuated around the 1.10 mark in the last two weeks.
- Although market participants now expect up to 7 interest rate steps of 10 bp each from the ECB this year, the geographical proximity to Putin's war remains a burdening factor, so that the US dollar remains very expensive.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2017 - 30/06/2023

European Sector & Style Performance

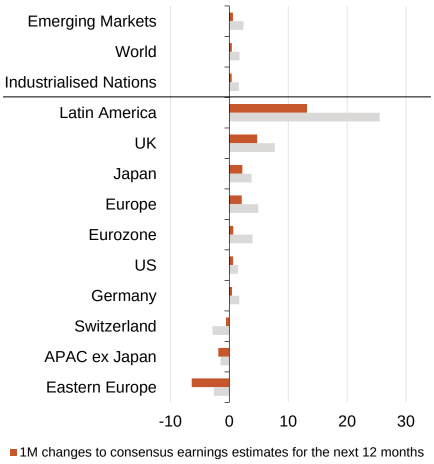
	4-week & YTD: 4W (25/02/22 - 25/03/22)	4-week & YTD: YTD (31/12/21 - 25/03/22)	12-month periods over that last 5 years: 25/03/21 25/03/22	25/03/20 25/03/21	25/03/19 25/03/20	25/03/18 25/03/19	24/03/17 25/03/18
Health Care	5.8	-0.5	23.2	14.0	3.4	19.5	-10.2
Communication Services	5.1	20.6	43.4	18.0	-38.1	16.8	6.9
Materials	3.1	0.7	15.7	62.7	-19.2	4.0	6.6
Information Technology	2.9	-14.6	8.8	49.5	-0.4	7.4	7.4
Telecommunications	1.8	1.6	5.3	25.5	-23.1	2.1	-10.6
Growth	1.1	-11.5	9.4	34.7	-4.7	8.4	-0.3
Industrials	1.0	-11.3	6.2	59.0	-15.0	2.3	1.7
Value	-0.6	0.1	11.1	36.0	-23.4	2.8	-0.8
Finance	-1.7	-3.7	9.3	39.0	-22.4	-8.3	2.7
Consumer Staples	-2.0	-6.7	11.1	16.8	-9.1	16.0	-8.3
Utilities	-4.4	-6.7	2.1	27.7	0.0	21.8	-0.6
Consumer Discretionary	-7.7	-17.4	-7.1	60.4	-13.9	-1.0	2.8

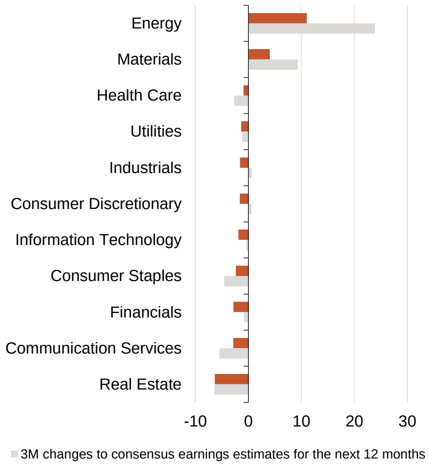
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR;
Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR;
Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Over the last four weeks, value in Europe has underperformed growth – despite rising interest rates. In particular, cyclical consumer goods lost value, burdened by rising economic concerns due to Putin's war in Ukraine.
- The health care and technology sectors, on the other hand, have recently recovered strongly.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 25/03/2017 – 25/03/2022

Changes in Consensus Earnings Estimates

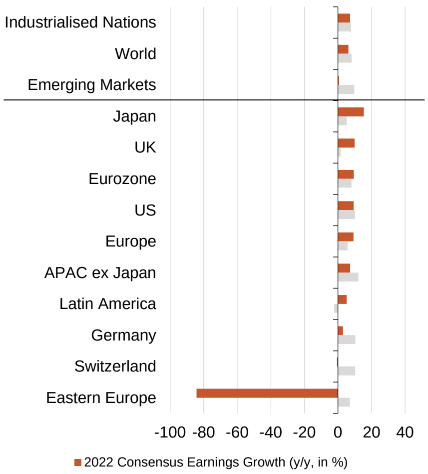


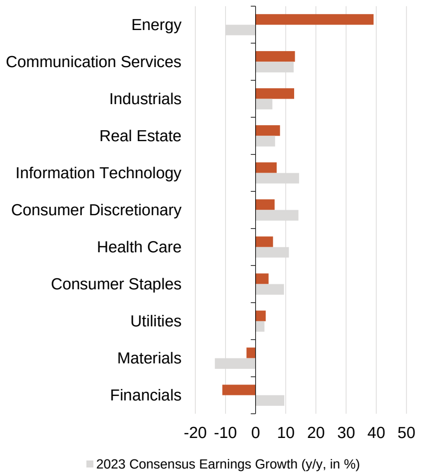


- Regionally, Latin America and the UK saw clearly positive earnings revisions, while Eastern Europe unsurprisingly saw falling earnings forecasts. Latin America and the UK benefit disproportionately from rising interest rates and commodity prices due to their index sector structure. Overall, the positive momentum of earnings revisions has weakened recently.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.
Source: FactSet, as of 25/03/2022

Earnings Growth

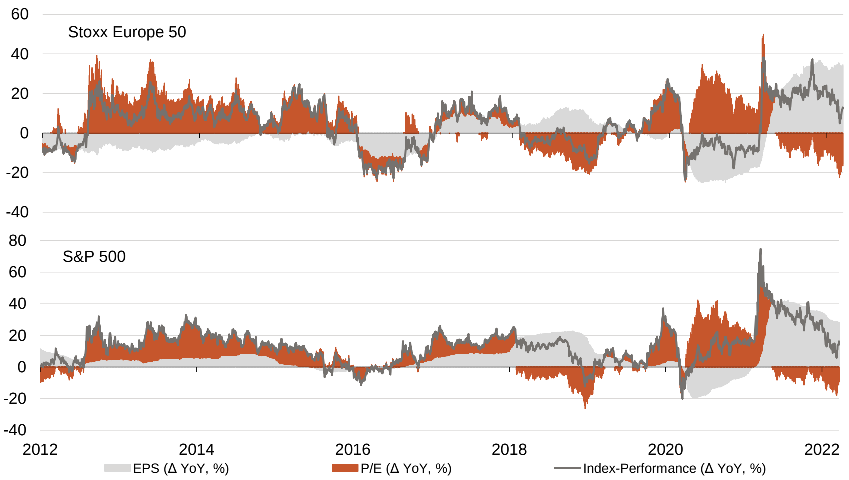




- The consensus expects Japan to see the highest earnings growth for 2022 at around 15%, but the US and the eurozone should also see rising profits.
- Among the European sectors, the energy and telecommunication sectors should see the highest profit growth.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan
Source: FactSet, as of 25/03/2022

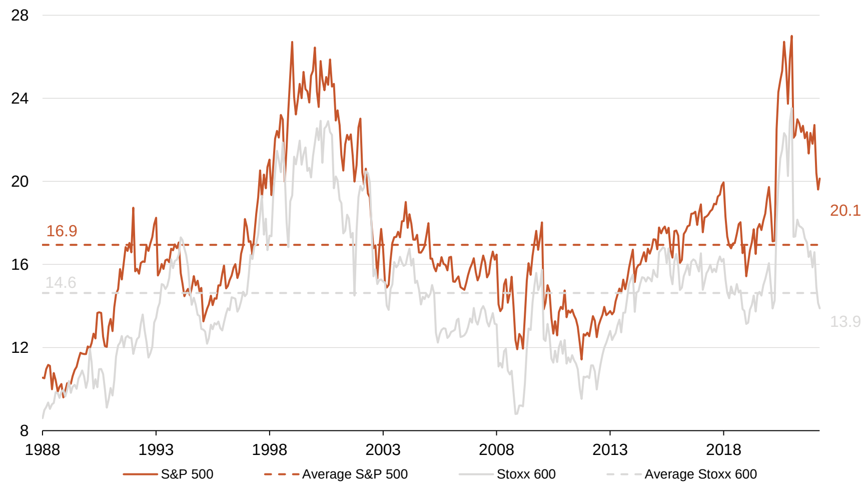
Contribution Analysis



- Compared to the previous year, valuations in Europe and the US came down sharply – similar to 2018, when the US Federal Reserve also pursued a more restrictive monetary policy.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2012 – 25/03/2022

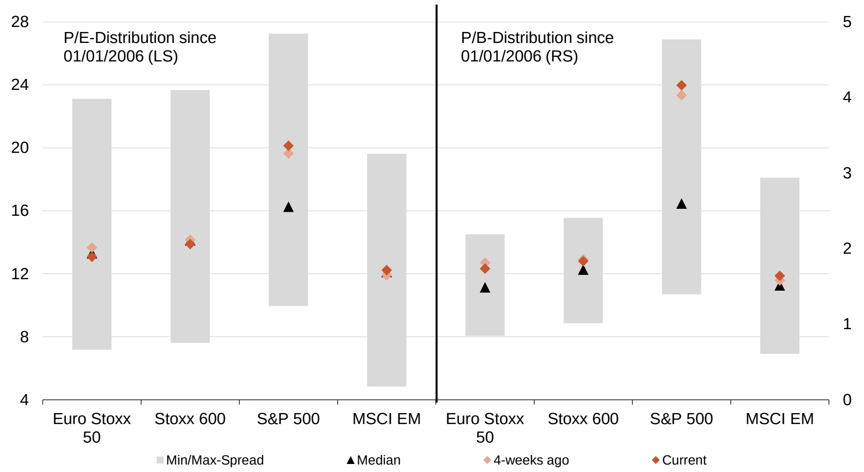
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Equity market valuations have recently experienced strong deflation – European equities are now more cheaply valued than on average over the past 35 years. And US valuations have fallen by a third since last year – but US equities still remain expensively valued relative to their own history.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 – 25/03/2022

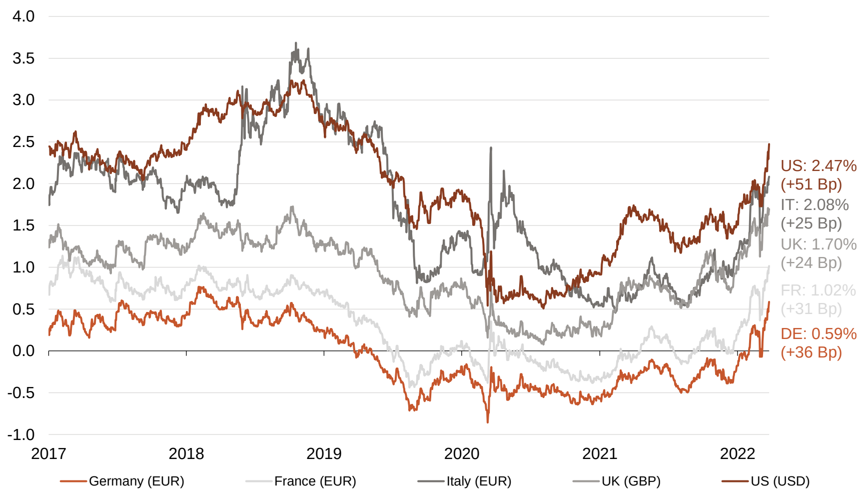
Historical Distribution: Price/Earnings and Price/Book Ratio



- Most equity regions are now (reasonably) fairly valued relative to their own history – both on a P/E and P/B basis.
- US equities remain an exception. There, the share of non-fundamental investors is the largest, and they also enjoy a valuation premium due to their relative safety.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 – 25/03/2022

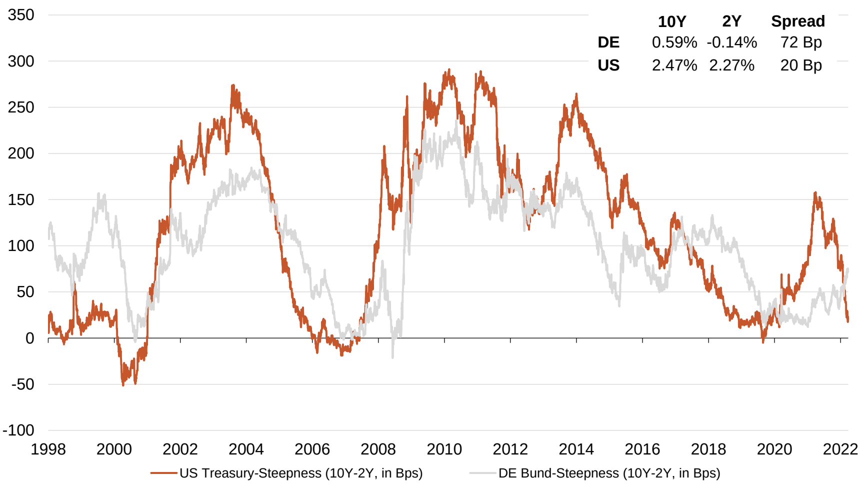
10-Year Government Bond Yields



- The trend of rising yields was only briefly interrupted. After safe government bonds experienced a brief tailwind as a result of the Putin war due to increased demand for security, the rise in yields continued recently. Rising inflation data and the more restrictive global interest rate policy of the central banks caused yields to rise.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2017 – 25/03/2022

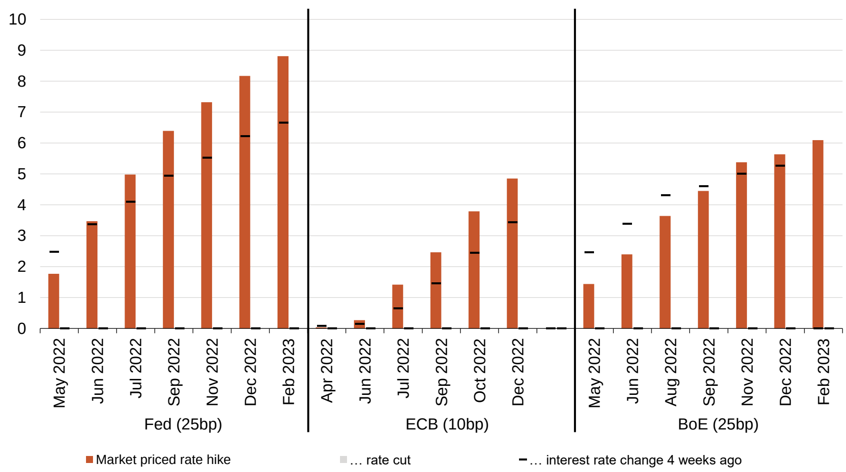
Yield Curve Steepness (10Y - 2Y)



- The falling trend of the US yield curve continued in the last two weeks and the curve approached zero at a level of 20bp. The market is thus increasingly pricing in the danger of a recession.
- The German yield curve, on the other hand, has steepened recently.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums.
Source: Bloomberg, Time period: 01/01/1998 – 25/03/2022

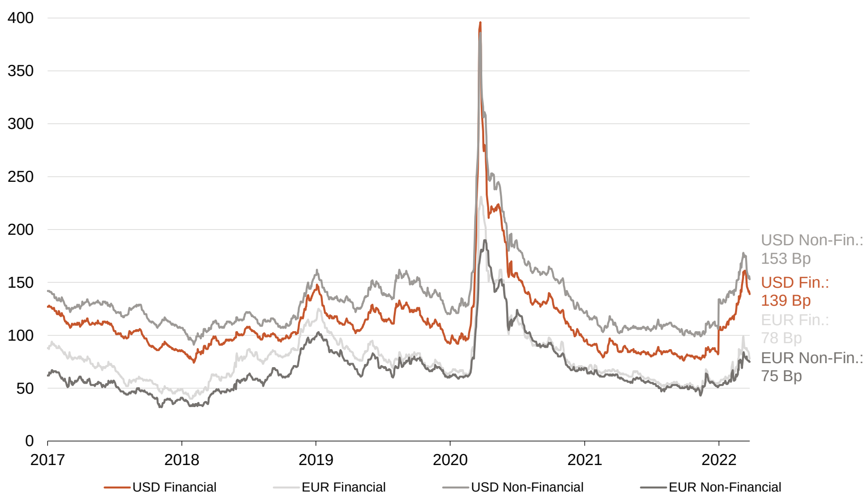
Implicit Changes in Key Interest Rates



- March was the month of interest rate hikes. The Fed decided to raise the key interest rate by 0.25 percentage points for the first time since 2018. The Bank of England raised its key interest rate by 0.25 percentage points for the second time within a few months and rate hikes also remain an option for the ECB. By the end of the year, the market is pricing in 8 rate hikes for the Fed, 4 hikes (10 bps each) for the ECB and 5 rate hikes for the BoE.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 17/12/2021 – 25/03/2022

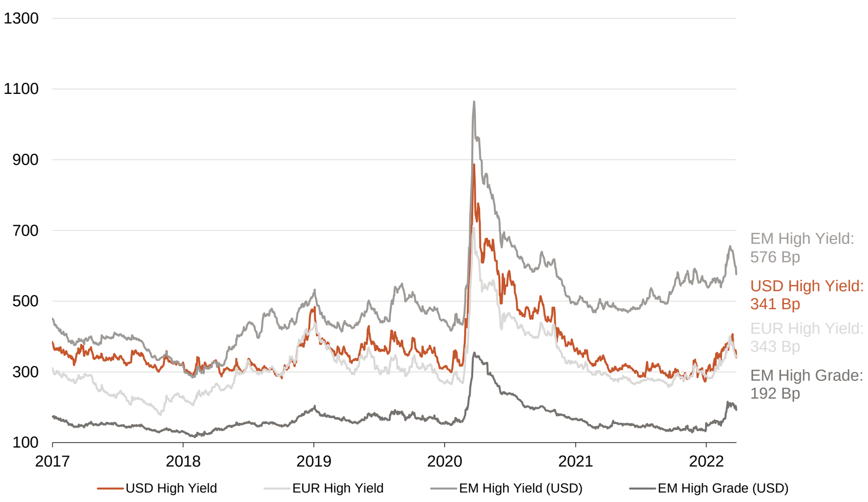
Credit Spreads Financial and Non-Financial Bonds



- The risk premiums for investment grade bonds have fallen again somewhat in the last two weeks. The narrowing of spreads was noticeably stronger in the US than in Europe.
- The spreads on USD corporate bonds fell by 23 basis points, whereas the spreads on their European counterparts fell by only 5 basis points.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 25/03/2022

Credit Spreads High Yield and Emerging Markets Bonds



- The high yield segment also saw a consolidation of spreads in the last two weeks.
- EM high yield saw the strongest decline with 69 basis points, followed by USD high yield with 53 basis points.
- Relative to the last 5 years, however, spreads remain at attractive levels.

How high the risk associated with the corporate bond is is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2017 – 25/03/2022

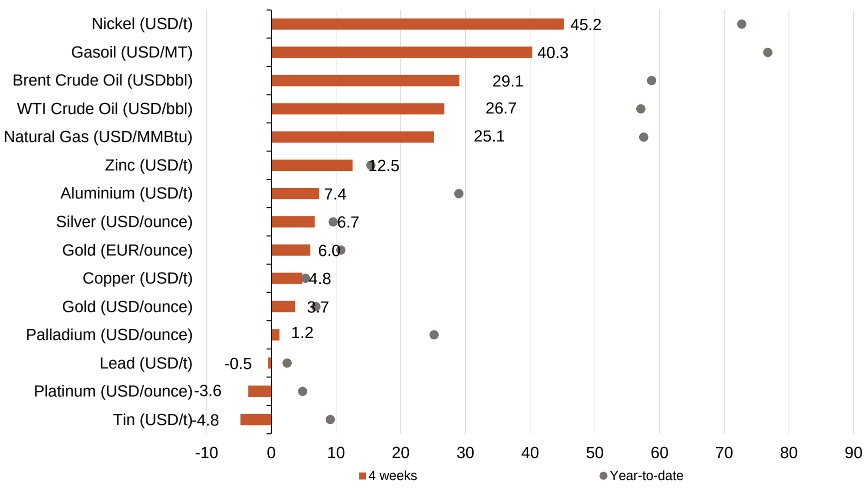
Bond Segments Overview

	Kennzahlen			Asset Swap Spread			Total Return (%, lokal)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (in Bp)	Δ-1M	10J-Perzentil	1M	YTD	25/03/21 25/03/22	25/03/20 25/03/21	25/03/19 25/03/20	25/03/18 25/03/19	25/03/17 25/03/18
EUR Government	0.79	0.24	8.1	-	-	-	-2.0	-5.4	-7.0	4.0	3.5	2.3	3.1
Germany	0.27	0.29	8.0	-	-	-	-2.3	-5.1	-5.9	0.1	2.1	4.2	-0.2
EUR Corporate	1.66	0.31	5.0	76	-1	48	-1.5	-5.5	-6.0	9.9	-4.0	2.1	2.0
Financial	1.59	0.26	4.2	78	-3	33	-1.1	-4.6	-5.0	10.8	-5.0	2.0	2.2
Non-Financial	1.70	0.34	5.5	75	1	55	-1.7	-6.0	-6.6	9.5	-3.4	2.2	1.9
EUR High Yield	4.60	0.28	3.8	343	-8	51	-0.9	-5.2	-3.4	25.6	-11.9	1.6	4.5
US Treasury	2.49	0.61	6.8	-	-	-	-3.1	-6.5	-5.0	-3.7	13.2	4.7	0.0
USD Corporate	3.83	0.58	7.7	149	-1	70	-3.1	-9.0	-5.9	13.8	0.7	5.4	2.1
Financial	3.68	0.66	5.7	139	5	66	-3.0	-7.7	-5.7	13.1	0.9	5.5	1.7
Non-Financial	3.89	0.54	8.5	153	-4	70	-3.1	-9.6	-6.0	14.2	0.6	5.3	2.2
USD High Yield	6.33	0.54	4.9	341	-12	28	-1.7	-5.5	-1.0	30.7	-12.6	5.5	4.6
EM High Grade	4.43	0.84	5.8	192	6	56	-4.0	-8.7	-7.3	11.3	0.3	5.1	2.1
EM High Yield	9.70	0.70	4.3	576	-23	57	-5.0	-10.8	-14.1	31.4	-11.7	4.3	4.3

- The 1M-performance is negative across all bond segments.
- Since the beginning of the year, EUR financials have lost about 1.5% less than EUR non-financials. This is because the latter are likely to suffer more from the end of the ECB's purchase programmes.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time Period : 25/03/2017– 25/03/2022

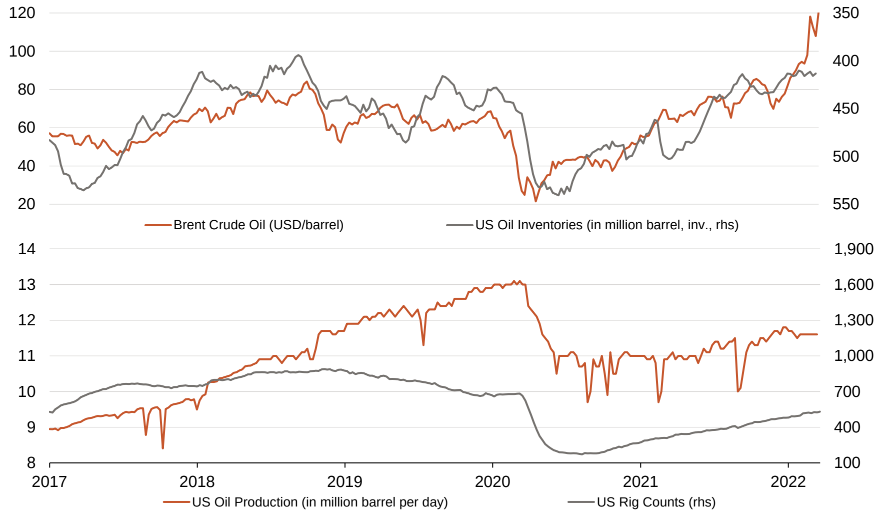
Commodities Performance



- The commodity rally continued over the last four weeks. Nickel remained the winner over the last four weeks, closely followed by gas oil and crude oil. The Russia-Ukraine conflict boosted commodities, whose supply concerns were particularly felt in Europe, which is dependent on Russia for energy.
- Only platinum and tin recorded losses over the last four weeks, bringing up the rear.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 – 25/03/2022

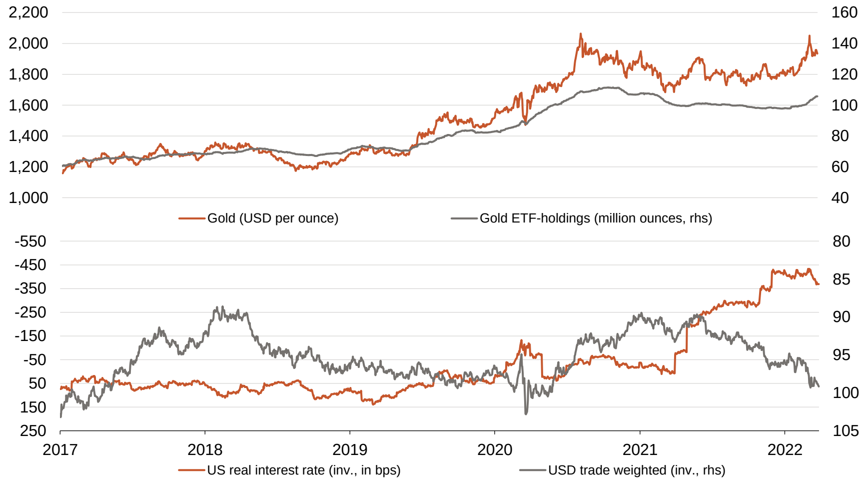
Crude Oil



- Crude oil, one of the main beneficiaries of the war, has gained since the beginning of the year due to the invasion and was trading at its highest level since 2008. Nevertheless, supply concerns remain the dominant driver of oil prices. Should Russia block the delivery of supplies, the energy inflows will have to be provided from other sources. Uncertainty about energy supply is therefore likely to continue to cause high price volatility in the future.

Higher oil production and higher inventories tend to weigh on oil prices and vice versa. An increase in active oil wells indicates higher oil production in the future.
Source: Bloomberg, Time period: 01/01/2017 – 25/03/2022

Gold



- Gold gained as a safe haven due to the escalation of the invasion of Ukraine by Russia. In the short term, however, the precious metal is likely to lose tailwind on war recovery news. Rising real interest rates are also likely to weigh on the precious metal. In combination with rising key interest rates, however, the downward pressure is limited.

The US dollar and the real, i.e. inflation-adjusted, interest rate are among the fundamental price factors of the gold price. Rising real interest rates tend to weigh on the gold price, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects financial investors' demand for gold.
Source: Bloomberg, Time period: 01/01/2017 – 25/03/2022

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IMPORTANT NOTICES

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